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Letter dated 2 June 2016 from the Permanent Representative of Uzbekistan to the United Nations addressed to the Secretary-General

I have the honour to convey to you information on the results of socioeconomic development achieved by the Republic of Uzbekistan throughout the years of independence (see annex).

I would appreciate it if you would circulate the present letter and its annex as a document of the General Assembly, under agenda item 20.

(*Signed*) Muzaffar **Madrakhimov**

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Annex to the letter dated 2 June 2016 from the Permanent Representative of Uzbekistan to the United Nations addressed to the Secretary-General

[Original: Russian]

Results of socioeconomic development achieved by the Republic of Uzbekistan since independence

The national model for reform and development, which was devised by President Islam Karimov of the Republic of Uzbekistan and which takes the country's socioeconomic potential, the Uzbek people's history of statehood and our national values and global experience into account, is underpinned by five fundamental principles for the transition to a socially oriented-free market economy.

The first principle is that the economy takes priority over politics. In other words, economic reforms should be free of any dogma, precepts or outdated stereotypes and should not subject to any ideology.

The second principle is that the State is the main reformer. It must determine the main priorities, areas and stages for reform and also draw up and consistently implement public development programmes.

The third principle is that the rule of law prevails in all sectors of society. The Constitution and the laws, which have been adopted democratically, must be respected by all without exception.

The fourth principle involves conducting a strong social policy. Alongside the introduction of a market economy, effective measures must be taken to provide reliable social protection for the population, especially low-income and large families and people of pensionable age.

The fifth principle is that the transition to a market economy is an evolutionary process which incorporates objective economic patterns in a consistent and methodical way at every stage.

As a result of its national model for the modernization of society and social renewal, known as the Uzbek development model, and thanks to the consistent implementation of wide-ranging reforms in all sectors since independence, Uzbekistan has fundamentally restructured its economy and a reliable foundation has been established for sustainable economic growth.

The national economy has grown by five and a half times over this short period of history. Gross domestic product (GDP) per capita, based on purchasing power parity, has quadrupled over this period and now stands at almost $7,000, while the population has more than doubled. The State budget has been implemented with a surplus since 2005, which has helped to strengthen macroeconomic stability.

The achievement of sustainable economic growth and balance in key macroeconomic indicators, especially at the height of the global financial and economic crisis, demonstrates that the critical priorities and challenges of the country's socioeconomic development have been effectively and efficiently addressed.

Annual capital investments consistently exceed 23 per cent of GDP, thus providing a foundation for future economic growth. Investments in productive sectors of the economy have led to the establishment of entirely new industries inside the country such as automobile manufacturing, petrochemical production, oil and gas equipment manufacturing, modern construction materials production, railroad equipment manufacturing, consumer electronics, pharmaceuticals and modern food and textile industries.

Currently over 60 per cent of industrial production comes from high-technology sectors that were established virtually from scratch following independence, and from competitive and high value-added products placed on the global market. An important fact is that these industries are planning more advanced processing of raw materials inside the country in order to produce items with higher added value.

The structural reforms carried out within the engineering industry deserve special attention.

A modern automotive industry has been established with technology leaders in their fields, such as General Motors (manufacturing light vehicles), Isuzu (manufacturing medium-sized buses and trucks) and MAN (manufacturing heavy goods vehicles). A project to roll out large-sized buses is also being prepared.

In the area of agricultural engineering, high-technology industries have been established with Claas, Case New Holland and Lemken, leading global manufacturers in the production of modern tractors, air lifts, cotton harvesters and tractor-mounted and other equipment.

In the field of electrical engineering, a wide range of electronic and electrical household equipment has been manufactured in conjunction with LG, Samsung and Honeywell. Recently, following a critical assessment of all markets within the Commonwealth of Independent States, Motorola selected Uzbekistan as a base for the production of its smartphones.

Since independence, programmes have been implemented to ensure energy independence and to develop the oil and gas refining sectors. In that context, the Bukhara Refinery, the Shurtan and Ustyurt Gas Chemical Complexes, the Kungrad Soda Plant, the Dekhkanabad Potash Fertilizer Plant and a number of other high-technology industries have been built in partnership with foreign companies.

At the same time, policy measures have been actively implemented in Uzbekistan in recent years for the modernization and technical and technological renewal of the economy, and to increase the efficiency of production. Labour productivity increased by a factor of 2.3 between 2000 and 2015 as a result of these measures.

The Republic of Uzbekistan Reconstruction and Development Fund, which was established in 2006 and whose authorized capital currently totals $25 billion, plays an important role in implementing projects to modernize and technically upgrade the main sectors of the economy and in carrying out effective structural and investment policies.

The establishment of the Fund was an important step in attracting major foreign investors and lenders, building their confidence in unconditional project

delivery and developing accountability among Uzbek partners for the successful implementation of investment projects.

The Fund's active involvement in preparing and implementing new projects has already attracted over $10 billion in foreign investment and loans, in the form of co-financing from the World Bank, the Asian Development Bank, the Islamic Development Bank, financial institutions in Japan, the Republic of Korea and China and also from other foreign banks and investors.

This industrial policy has been stimulated by a programme for the localization of finished products, component parts and materials. Over 2,800 localization projects were implemented between 2000 and 2015 and, within that framework, more than 4,800 new types of products were manufactured that had previously been imported. The companies involved have created over 22,900 new jobs. Consequently, the manufacture of localized products over this period has increased by more than 225 times and now accounts for 20 per cent of industrially manufactured products, while annual import substitution is over $6.2 billion.

As a result of large-scale industrial development, modernization and diversification programmes in the country, industrial production has increased by a factor of more than 4.4 since independence. Before 1991, the structure of the Uzbek economy was dominated by agriculture, while industry (in which the predominant sectors were cotton processing and machine building for the agricultural industry) accounted for about 14 per cent. Today, however, the share of GDP represented by the industrial sector has increased to almost 24.3 per cent. Furthermore the average growth rate of industry over the last 10 years has been 9.3 per cent, which exceeds GDP growth.

Industrial diversification since independence has also led to a significant change in the exports of Uzbekistan. In the early 1990s the country's exports depended on cotton, which had a 60 per cent share of exports. Today, however, almost 80 per cent of the country's exports are manufactured goods and cotton accounts for no more than six per cent. Today Uzbek manufacturers export to 160 countries, including European countries, the Commonwealth of Independent States, Asia, North and South America, Africa and Australia.

As a result of ongoing measures to strengthen its export capacity, exports from Uzbekistan have increased by more than 29 times. Global crises notwithstanding, Uzbekistan has achieved a stable trade surplus over the past 15 years.

The structure of agricultural production has fundamentally changed since independence. Lopsided agricultural development during the period of the former Union of Soviet Socialist Republics and the dissolution of economic ties led to the country being on the verge of a food crisis in its first days of independence. Staple food products, including grains, cereals, meat, dairy products, eggs, sugar and oil, were imported.

To address the food problem, cultivated areas for cotton were halved within a short period of time and the land gained has been used to grow food crops, including grains, horticultural goods, potatoes, grapes, melons and fodder crops.

The factor of crucial importance for agricultural reform was the transition from a system of administrative planning and distribution to a market economy. Agricultural land was once again transferred to newly established private farms, and

plots of land were leased to them on a long-term basis. Sound market infrastructure was put in place to provide the farms with all of the various services that they need.

Accordingly, cereal production since independence has increased from less than 1 million tons to over 7.5 million tons, transforming the country into a net exporter of wheat. Today Uzbekistan produces about 18.7 million tons of horticultural goods, whereas around 4 million tons were grown in 1991.

Owing to the structural changes made, cotton currently does not exceed 7.7 per cent of total output in the agricultural sector, cereals represent around 9 percent, horticultural crops and grapes total 32.4 per cent, potatoes account for 9.9 per cent and livestock is over 40 per cent.

Since independence, there has been a significant increase in the volume and range of manufactured foodstuffs as a result of the measures taken to ensure food security in the country. Whereas in 1990 food imports met a significant proportion of the population's needs, today 96 per cent of food is produced by domestic companies. Over the years the per capita consumption of meat has increased by a factor of 1.3, that of milk and dairy products by a factor of 1.6, and that of potatoes by a factor of 1.7. At the same time, vegetable consumption has more than doubled and fruit consumption has almost quadrupled.

Major projects have been implemented in the years since independence to upgrade and develop road transport infrastructure. As part of public road improvement projects, more than 3,000 km of roads have been constructed or renovated over the last five years, including a 1,500 km stretch of the Uzbek National Highway.

A unique road that meets the highest international standards was commissioned across the Kamchik Pass, connecting the Fergana Valley with the central part of the country via two tunnels.

New railway sections have been built, including along the Navoi-Uchkuduk-Sultanuizdag-Nukus line (342 km), on a bridge crossing over the Amudarya river and along the Tashguzar-Boisun-Kumkurgan route (223 km in length and travelling through a mountain pass 1,500 m above sea level) which leads to the northern borders of Afghanistan.

The Tashkent-Samarkand line (345 km), the Tashkent-Khodzhikent line (66 km) and the Tukimachi-Angren line (114 km) have been electrified. Fast-speed passenger trains have begun operating on the Samarkand-Karshi section of railway line, which has led to "Afrosiyob" high-speed trains running between Tashkent and Karshi. The completion the new electrified railway line between Angren and Pap (123 km, with a tunnel over 19 km), whose construction began at the start of 2013, is important for the development of a transnational transport corridor.

There are now more than 20 international transport corridors in Uzbekistan, including two major international highways linking Western European countries to East Asian countries.

As part of the development and renewal of air transport in Uzbekistan, state-of-the-art service equipment has been commissioned for aircraft manufactured in the West, airports have been renovated and the navigation system has been improved throughout Uzbekistan, which is recognized as having one of the best of air traffic control systems in the Commonwealth of Independent States. The fleet

today consists exclusively of modern aircraft from the leading global manufacturers, Airbus and Boeing. Aircraft with the flag of Uzbekistan fly to over 40 airports in Europe, Asia and North America.

The structural transformation and diversification of the economy has been underpinned by steadily increasing the resource base of banks, by expanding the proportion of long-term funding sources and by enhancing the role of commercial banks in these processes. Loans for periods exceeding three years represented around 24 per cent of the total loan portfolio in 1990, whereas today these total 80 per cent.

As a result of steady growth in the total capital of commercial banks and balanced asset portfolio management policies, the capital adequacy ratio is three times higher than the international standards of the Basel Committee on Banking Supervision.

For the fifth consecutive year Moody's international rating agency has evaluated development prospects for the banking system in Uzbekistan as "stable". To date, all commercial banks in the Republic have been assigned a "stable" rating by Standard & Poor's, Moody's and Fitch Ratings, the leading international rating companies.

In recent years small business and private enterprise have rightly emerged as the driving force behind Uzbekistan's economic growth. While there were almost no small businesses inside the country prior to independence, today 56.7 per cent of GDP comes from small business. Today over 90 per cent of all businesses are small businesses.

The size and importance of this sector of the economy have grown through domestic measures that provide broad support for the development of small business and private enterprise. Such measures improve the business environment, establish reliable systems for the protection of private property rights and guarantees, and reduce the tax burden.

As a result of the progressive reduction of tax rates, the broadening of the tax base and the liberalization of tax administration since independence, the total tax burden on the economy has declined from over 45 per cent to 20 per cent, and the single tax payment for small businesses has decreased by over two thirds, from 15.2 per cent to 5 per cent.

Today Uzbekistan has almost fully reviewed its legal and regulatory framework for entrepreneurial activities. In the past four years alone more than 15 laws aimed at enhancing the role and protection of private property have been adopted, while 186 authorization and licensing procedures and over 70 forms of statistical and tax reporting have been revoked.

At the legislative level, the unique principle of the priority rights of entrepreneurs, including foreign investors, has been introduced in their relations with public, law enforcement and monitoring bodies. An open and transparent mechanism has also been introduced for the broad involvement of business entities in public procurement.

Tax and statistical reporting procedures and customs clearance procedures have been transformed into fully electronic systems. An e-government system that is

being actively implemented on the basis of international best practices will be fully completed by 2020.

The main objectives of the new phase of reforms include creating an enabling environment for broad foreign direct investment, fundamentally enhancing the efficiency and openness of joint-stock companies, and introducing modern corporate governance methods. Today more than 5,000 successful enterprises have been established in Uzbekistan by investors from over 90 countries.

Uzbekistan has created the most favourable conditions to attract foreign capital. The broad system of different benefits, privileges and guarantees for foreign companies investing in the country's economy is essentially unique. In particular, the State guarantees that following changes in tax legislation foreign investors may abide by the earlier norms and provisions for a period of 10 years.

Services have become the most promising and dynamic sector of the economy of Uzbekistan since independence. In the early 1990s services represented around 33 per cent of the economy, whereas today they account for 54.5 per cent of GDP. In addition, new and modern types of services have emerged, such as digital information and communications technologies, mobile services, computer programming services, consulting, legal and audit services, real estate and brokering services, private health care, vehicle insurance and new types of financial services, including leasing and electronic banking.

A large-scale national staff training programme was adopted and launched in 1997. This was anchored in the concept of comprehensively restructuring the longstanding educational system, ensuring continuing education and linking the educational system to ongoing societal transformation and the demands of a growing economy for highly qualified personnel.

The programme introduced 12 years of universal compulsory free education: nine years of comprehensive school education followed by three years of training in a specialized vocational college or academic high school, where every student receives vocational training in two to three specialities in demand on the labour market.

Under the programme more than 1,600 new vocational colleges and academic high schools have been built and equipped with modern laboratory, computer and production equipment over the years. Decisive measures have also been taken to update the quality and methodology of the teaching and learning process.

In addition, steps have been taken to further develop and improve the training of young professionals in higher educational institutions. Over the years their number has doubled and today there are more than 260,000 students at 68 universities and higher educational institutions. The higher education system has transitioned to the two-stage international standard of undergraduate and postgraduate studies.

In order to train young professionals to the highest international standards of education, branches of leading universities with high international standing in Europe and Asia have been established and are operating in the Republic, such as the Westminster International University, the Management Development Institute of Singapore, the Turin Polytechnic University, the Republic of Korea Inha University in Tashkent and a number of leading Russian universities.

There has been a steady decline in infant and maternal mortality rates thanks to public policy measures aimed at mother, child and health protection. Since independence, the overall infant mortality rate has decreased from 34.6 deaths per 1,000 live births in 1990 to 10.8 in 2014, and maternal mortality has fallen from 65.3 to 19.1 deaths per 100,000 live births.

A central focus has always been placed on consistently improving the standard of living and quality of life of the Uzbek people. Annual expenditure from the State budget to meet social needs, including measures to secure funds for the social services sector and enhance the effectiveness of social welfare, increased from 31.5 per cent in 1990 to 59 per cent at the end of 2015.

In addition to undertaking major construction and renovation work at educational institutions and fitting them out with modern equipment, significant attention is being paid to the harmonious development of young people. In the last five years alone over 270 children's music and art schools, 523 sporting facilities and more than 100 swimming pools have been constructed or renovated.

Today more than 2 million children, including 840,000 girls, regularly take part in various types of sports classes. Over the past 10 years the number of children between 6 and 15 years of age participating in sports has increased from 20.4 to 55.8 per cent.

Uzbekistan is now entering a new phase of economic reforms and structural changes, which is aimed at ensuring sustainable development for the country in the years to come.

In early 2015, based on a thorough analysis of the processes under way in the global economy, President Islam Karimov developed and approved a programme for the period 2015 to 2019 that sets out seven key areas for further reform, structural transformation and diversification of the economy. These key areas are as follows:

1. Downsizing the public sector and further expanding the size and significance of private property via:

(a) The privatization of 1,035 State companies and State-owned entities, including 452 at zero purchase price;

(b) The closure of 256 obsolete and inefficiently run State-owned enterprises;

(c) The demolition of 354 unused and State-owned entities, with business entities receiving 119 hectares of the available land plots on a competitive basis.

The private sector will consequently increase in size, from its present 82 per cent of the economy to 86 per cent. This will provide a decisive impetus to boost economic performance.

2. Dramatically improving the business environment, allowing greater freedom of entrepreneurship and prioritizing the development and strengthening of legal protection for private property by:

(a) Simplifying procedures for entrepreneurial activity through the widespread introduction of information and communications technologies in public service delivery;

(b) Enhancing transparency mechanisms for private entrepreneurs to gain access to raw materials, primarily by expanding their sale through open tenders and trade fairs;

(c) Strengthening the accountability of public officials and law enforcement and monitoring bodies for unlawful interference in the work of business entities.

3. Introducing modern corporate governance methods and increasing incentives for the executive bodies of publicly traded companies to improve their performance by:

(a) Improving the organizational structure of joint-stock companies and introducing modern requirements for the management of personnel;

(b) Involving highly-skilled foreign managers and specialists;

(c) Conducting a mandatory audit of the financial and economic activities of companies, in accordance with International Financial Reporting Standards;

(d) Enhancing the role of minority shareholders in the management of companies.

4. Bringing about a structural transformation of the economy and upgrading and diversifying industrial production by implementing 846 investment projects, worth $41 billion, for the modernization and technical and technological renewal of production. This will help to launch the production of over 100 new commodity groups and more than 1,000 assortment types, and to increase industrial production by one and a half times.

5. Fostering the localization of finished products, component parts and materials and, on that basis, reducing economic dependence on imports by:

(a) Implementing over 600 localization projects worth over $5 billion between 2015 and 2019;

(b) Manufacturing 1,225 of the most sought after types of products, including 580 new products;

(c) Reducing imported materials and components for key industrial sectors by up to 40 per cent by 2020 and saving around $6 billion in hard currency.

6. Further developing and upgrading the communications and road transport infrastructure. This includes implementing projects worth about $10 billion between 2015 and 2019 in the following areas:

(a) Building and renovating over 2,700 km of public roads, including a 1,800 km stretch of the Uzbek National Highway;

(b) Developing and rehabilitating 960 km of railway lines and electrifying 885 km of railroads;

(c) Building and rehabilitating 8,600 km of water networks and 358 km of sewage networks;

(d) Upgrading 25,300 km of distribution networks and over 5,600 km of electricity supply lines;

(e) Developing telecommunications infrastructure, increasing optical communication lines by a factor of 1.7 and extending the coverage of mobile network coverage for localities from 80 to 95.3 per cent.

7. Reducing energy intensity; introducing energy-saving technologies in all sectors of the economy and in the social sector through the gradual modernization and renovation of central (district) and local heat supply companies; replacing and installing heating boilers in not-for-profit organizations; and replacing pumps and electric motor pump units at water agencies of the Ministry of Agriculture and Water Management.

Furthermore, in order to deepen economic agricultural reforms, a programme of measures was adopted in late 2015 for further agricultural reform and development for the period 2016 to 2020. Under the programme 170,500 hectares of cultivated areas for cotton and 50,000 hectares of grain and cereal crops are gradually being optimized by withdrawing marginally profitable land and increasing the planting of horticultural crops, potatoes, melons, oilseeds and fodder crops, and by increasing livestock by a factor of 1.3, small ruminants by a factor of 1.2 and poultry by a factor of 1.5.

The services sector development programme for 2016 to 2020, which was adopted this year and seeks to increase services by a factor of 1.8, is particularly noteworthy. This would raise the services sector of the economy in Uzbekistan to 48.7 per cent (according to the international methodology for calculating GDP) by:

(a) Creating conditions for accelerated development of the services sector and structural transformations through the construction of communications and road transport infrastructure and the introduction of modern information and communications technology sectors;

(b) Establishing a competitive environment and encouraging small and private entrepreneurship;

(c) Expanding a variety of innovative services and new communication tools;

(d) Maintaining the technical capacity for public access telecommunications networks, providing quality services for them, fully transitioning to digital telephone and television systems, and increasing telecommunications services to 2.5 per cent of the economy in Republic by 2020;

(e) Developing financial services, introducing new electronic payment technologies and further developing high-technology health-care services.

A steady increase in the well-being, standard of living and quality of life of the people will always remain the highest priority in the development of Uzbekistan. In that regard every year some 1 million new jobs are being created, including over 60 per cent of in rural areas, 12,000 modern rural houses are being built, the rural infrastructure is being developed and village appearance is being transformed.

Few countries in the world today have such economic indicators. Uzbekistan ranks fifth in the world among States with rapidly growing economies, something which quite rightly is highly appreciated by the international community and international financial institutions. In September 2015, the International Monetary Fund issued a press release on our country, noting that Uzbekistan has retained its economic resilience in a difficult global economic environment, that it has achieved strong economic growth over a long period, and that its active investment policies and structural reforms are reliably protecting the country from the economic slowdown occurring in other countries of the Commonwealth of Independent States.